FAMILY HEALTH
NOVEMBER 2007
LOCAL ASSISTANCE ESTIMATE
for
FISCAL YEARS
2007-08 and 2008-09

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ASSUMPTIONS

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FAMILY HEALTH ASSUMPTIONS
NOVEMBER 2007
FISCAL YEARS 2007-08 & 2008-09

INTRODUCTION

The Family Health Estimate, which is based upon the Assumptions outlined in the following pages, provides information and state only costs for California Children's Services, the Child Health and Disability Prevention program, and the Genetically Handicapped Persons Program. The Estimate also includes costs for the Healthy Families Program Title XXI portion of California Children's Services. Costs for children eligible for Medi-Cal are not included. The Estimate can be segregated into two main components: (1) the base and (2) the adjustments to the base. The base estimate is the anticipated level of program expenditures assuming that there will be no changes in program direction, and is derived from a historical trend analysis of actual expenditure patterns. The policy changes are the estimated fiscal impacts of any program changes which are either anticipated to occur at some point in the future, or have occurred so recently that they are not yet fully reflected in the historical data base. The combination of these two estimate components produces the final Family Health Estimate.

California Children's Services

The California Children's Services (CCS) program provides diagnostic and treatment services, medical case management, and physical and occupational therapy health care services to children under 21 years of age with CCS-eligible conditions (e.g., severe genetic diseases, chronic medical conditions, infectious diseases producing major sequelae, and traumatic injuries) from families unable to afford catastrophic health care costs. A child eligible for CCS must be a resident of California, have a CCS-eligible condition, and be in a family with an adjusted gross income of $40,000 or less in the most recent tax year. Children in families with higher incomes may still be eligible for CCS if the estimated cost of care to the family in one year is expected to exceed 20% of the family's adjusted gross income.

Base funding for the state only CCS program services and case management is composed of 50% county funds (CF) and 50% State General Fund (GF). Services and case management for Medi-Cal eligible children are funded by a combined 50% match of GF and Title XIX federal financial participation (FFP). Services and case management authorized for children who are enrolled in Healthy Families are funded by 65% federal Title XXI FFP and a combined 17.5% CF and 17.5% GF. In addition to the funding streams above, CCS is also supported by a fixed level of Federal Title V Maternal and Child Health (MCH) funding. In addition, GF expenditures are reduced by federal funding from the Safety Net Care Pool.

CCS benefit costs are budgeted on a cash basis. CCS administrative costs are budgeted on an accrual basis.

Child Health and Disability Prevention

The Child Health and Disability Prevention (CHDP) program provides health screens (i.e., well child health assessments) and immunizations to Medi-Cal children under 21 years of age and non-Medi-Cal eligible children at or under 18 years of age whose family income is at or below 200% of the Federal Poverty Level (FPL).

Currently, the CHDP program is funded with a combination of State GF and Childhood Lead Poisoning Prevention (CLPP) funds.

Children from families with incomes at or below 200% of the FPL can pre-enroll in fee-for-service Medi-Cal under the presumptive eligibility for children provisions of the Medicaid program and the Healthy Families Program (HFP), the California Title XXI State Children's Health Insurance Program (SCHIP). This pre-enrollment will take place electronically over the Internet at CHDP provider offices at the time children receive health assessments. This process, known as the CHDP Gateway to Medi-Cal and Healthy Families, will shift most CHDP costs to the Medi-Cal program and to HFP. CHDP program funding will continue at a reduced level to cover services for children who are eligible for limited-scope Medi-Cal benefits.

The CHDP program is responsible for the screening component of the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) benefit of the Medi-Cal program. The health assessments, immunizations, and laboratory screening procedures for Medi-Cal children are funded 50% GF and 50% FFP. These screening costs funded through Medi-Cal are identified in the Medi-Cal estimate as EPSDT.

CHDP benefit costs are budgeted on a cash basis beginning in FY 2005-06. CHDP administrative costs are budgeted on an accrual basis.

Genetically Handicapped Persons Program

The Genetically Handicapped Persons Program (GHPP) provides comprehensive health care coverage for persons with specified genetic diseases including: cystic fibrosis; hemophilia; sickle cell disease and thalassemia; chronic degenerative neurological diseases including Huntington's Disease, Friedreich's Ataxia, and Joseph's Disease; and metabolic diseases including phenylketonuria. GHPP also provides access to social support services that may help ameliorate the physical, psychological, and economic problems attendant to genetically handicapping conditions. Persons eligible for GHPP must reside in California; have a qualifying genetic disease; and be otherwise financially ineligible for CCS. GHPP clients with adjusted gross income exceeding 200% of the federal income guidelines pay an enrollment fee and treatment costs based on a sliding fee scale for family size and income.

GHPP benefit and administrative costs are budgeted on a cash basis beginning in FY 2005-06.

BASE ESTIMATES

Historical cost data are used to make the base budget projections using regression equations. The general functional form of the regression equations is:

CASES	=	f(TND, S.DUM, O.DUM)
EXPENDITURES	=	f(TND, S.DUM, O.DUM)
TREATMENT $	=	f(TND, S.DUM, O.DUM)
MTU $	=	f(TND, S.DUM, O.DUM)

Where:

TREATMENT $	=	Total quarterly net treatment expenditures for each county group.
MTU $	=	Total quarterly medical therapy unit expenditures for each county group.
TND	=	Linear trend variable.
S.DUM	=	Seasonally adjusting dummy variable.
O.DUM	=	Other dummy variables (as appropriate) to reflect exogenous shifts in the expenditure function (e.g. rate increases, price indices, etc.).

California Children's Services

A nine year data base of summary claim information on CCS treatment services and medical therapy unit expenditures is used to make the base budget projections using regression equations. Independent regressions are run on net treatment services expenditures (TREATMENT $) and medical therapy unit expenditures (MTU $). These expenditure categories are estimated separately for Alameda, Contra Costa, Fresno, Los Angeles, Monterey, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, Santa Clara, other independent counties, and all other dependent counties as separate groups.

Following the estimation of coefficients for these variables during the base period, the independent variables are extended into the projection period and multiplied by the appropriate coefficients. The quarterly values for each expenditure category are then added together to arrive at quarterly expenditure estimates and summed to annual totals by county.

The net cost/savings for each Policy Change item is applied to the base estimate, after adjustment for the estimated percentage of each item reflected in the base.

Child Health and Disability Prevention

The estimate for CHDP screening consists of a base projection using the latest five years of monthly data to forecast average monthly screens and cost per screen. Separate forecasts utilizing multiple regression analysis are made for both screens and cost per screen for the CHDP program.

The net cost/savings for each Policy Change item is applied to the base estimate, after adjustment for the estimated percentage of each item reflected in the base.

Genetically Handicapped Persons Program

The most recent five years of actual GHPP caseload and expenditure data are used to make the budget projections using regression equations. The data system for GHPP includes only summary caseload and expenditure data for the base period. Independent regressions are run on each diagnosis category identified as follows: Cystic Fibrosis; Hemophilia; Sickle Cell; Huntington's Disease (includes Friedreich's Ataxia, and Joseph's Disease); and Metabolic Conditions.

Estimates for expenditures are based on a history of payment data which is projected into the budget year and a future year.

The net cost/savings for each Policy Change item is applied to the base estimate, after adjustment for the estimated percentage of each item reflected in the base.

CALIFORNIA CHILDREN'S SERVICES

CCS: NEW ASSUMPTIONS

	Applicable F/Y C/Y	B/Y	
CCS 0.1	X	X	Data Center Cost Reduction Control Section 15.25, Budget Act of 2007 (Chapter 171, Statutes of 2007), provides that the Director of Finance may adjust amounts in any appropriation item resulting from changes in rates for data center services approved by the Technology Services Board in the 2007 or 2008 calendar year. There will be small reductions in costs for FY 2007-08 and FY 2008-09.
CCS 0.2		X	Reduction to Hospital Financing – DPH SNCP by 10% The SNCP payments to DPHs will be reduced beginning June 1, 2008. The Department will increase the amount of CPEs of the four State-only programs to utilize any remaining federal funds in the SNCP. For more information, see Appendix A, Issue #30.
CCS 0.3		X	Reduction to CCS Provider Payments by 10% Effective June1, 2008, the Department will reduce CCS outpatient provider payments for all provider types, and non-contract hospital payments, by 10%. For more information, see Appendix A, Issue #31.

CCS: OLD ASSUMPTIONS

	Applicable F/Y C/Y	B/Y	
CCS 1	X	X	Enrollment and Assessment Fees

Budget Act language requires that enrollment and assessment fee revenues be shared 50/50 with the counties. It also requires the State to offset 50% of the allocated fee revenues against the State's portion of reimbursements to the counties.

CCS 2	X	X	County Administrative Costs

Pursuant to Health and Safety Code §123955, the State and the counties share the cost of administering the CCS program. The State reimburses counties for 50% of county administrative costs required to meet State-established staffing standards for CCS clients in the county CCS caseload who are ineligible for Medi-Cal or do not subscribe to the Healthy Families Program (HFP).

The HFP is California's Title XXI SCHIP. Since 1997 CCS has provided services to treat CCS medically eligible conditions of children enrolled in HFP plans. CCS services are "carved out" of the HFP plans' capitation. These treatment services are funded 65% by federal Title XXI funds, 17.5% by the State General Fund, and 17.5% by county funds for HFP subscribers who meet the financial eligibility requirements of the CCS program; and 65% Federal Title XXI funds and 35% State General Fund for HFP subscribers who are not financially eligible for CCS.

~~Based on actual caseload in FY 2004-05, approximately 50% of the non-Medi-Cal CCS caseload consists of children who are not HFP subscribers.~~

CCS State-Only ~~Case~~ **case** management **costs** are funded 50% by the State ~~General Fund~~ and 50% by the counties. In order to maximize FFP, Title XXI FFP is being claimed for case management costs for CCS/HFP clients.

CCS 3	X	X	Fiscal Intermediary Expenditures (EDS)

Electronic Data Systems (EDS) Corporation adjudicates medical claims for the CCS program. The funding is based on ~~50~~ **46**% CCS State Only clients and ~~50~~ **54**% CCS Healthy Families clients.

CCS 4	X	X	Fiscal Intermediary Expenditures (Denti-Cal)

Delta Dental adjudicates dental claims for the CCS program. The funding is based on ~~50% CCS State Only clients and 50% CCS Healthy Families clients.~~ **actual claims and trends for aid codes 9K (CCS eligible child) and 9R (CCS eligible HF child).**

CCS: OLD ASSUMPTIONS

	Applicable F/Y C/Y	B/Y	
CCS 5	X	X	**Children's Medical Services Network (**CMS Net**)** The CMS Net automated **eligibility,** case management**, and service authorization** system is used by the CCS program to ~~assure that case management activities such as patient registration; medical eligibility; letter generation; and issuing of authorizations are accommodated, tracked and documented~~ **provide administrative case management for CCS clients.** CMS Net was implemented in 1992 in the State regional offices and several ~~small~~ counties. Currently, 56 CCS counties, three State CCS regional offices, and the GHPP program utilize ~~CMS Net,~~ **the system.** ~~totaling 4,823~~ **There are currently 2,898** active CMS Net ~~users~~ **user accounts.** There are currently ~~approximately 115,927 active CCS cases registered~~ 109,970 active and 7,289 pending CCS cases in CMS Net. **CMS Net utilizes software called Caché for an operating system, script language, and certain database management functions. The Department purchases Caché licenses based on the estimated number of CMS Net system users.** The Legislature has directed the CCS program to work with county CCS programs not yet participating in CMS Net to make the transition to the CMS Net system. ~~by August 2004.~~ Orange County transitioned to CMS Net on March 5, 2007. Los Angeles and Sacramento Counties plan to transition to CMS Net in ~~March~~ 2008. ~~CMS Net utilizes software called Caché for an operating system, script language, and certain data base management functions. The Department purchases Caché licenses based on the estimated number of CMS Net system users.~~
CCS 6	X	X	Hospital Financing - Safety Net Care Pool Effective for dates of service on or after September 1, 2005, based on SB 1100 (Chapter 560, Statute of 2005), federal funding from the Safety Net Care Pool (SNCP) can be made available for the CCS State-Only program. The Department may claim federal reimbursement for expenditures for CCS State-Only services as certified public expenditures. The GF savings that accrue will be available to the SNCP for deposit into the Health Care Support Fund to provide funding for safety net hospitals. **Beginning with FY 2007-08, the Department is utilizing a set level of SNCP federal funds for CCS that can be reasonably maintained by the Stabilization funding. This will prevent fluctuations in federal funds for the program.**

CCS: OLD ASSUMPTIONS

	Applicable F/Y C/Y	B/Y	
CCS 7	X	X	Shift of CCS State/County Costs to Medi-Cal With implementation of the enhancements to the CMS Net system to utilize eligibility data from the Medi-Cal Eligibility Data System (MEDS), claims for CCS-Only children determined to be retroactively eligible for Medi-Cal, or for CCS/Medi-Cal children with a Medi-Cal share of cost (SOC), may be processed in the claim payment system as CCS-Only prior to the Medi-Cal eligibility determination or an obligation of SOC becoming effective in MEDS. In order to properly charge these costs to the Medi-Cal program, beginning in April 2006 these claims are being periodically reprocessed by the Medi-Cal FI. The reprocessing results in crediting the CCS Program for claims previously paid as CCS-Only and charging the costs to Medi-Cal. This reprocessing to appropriately charge these costs to CCS clients' Medi-Cal coverage ~~will be~~ **is** an ongoing process that ~~will occur~~ **occurs** every year.
CCS 8	X	X	Treatment for Mucopolysaccharidosis II (Hunter's Syndrome) On July 14, 2006, the Federal Drug Administration granted approval for Elaprase, a therapy for the treatment of Mucopolysaccharidosis II (Hunter's Syndrome), a CCS-eligible medical condition involving enzyme deficiency. This drug is now available to improve the clinical conditions of individuals with the enzyme deficiency that leads to progressive cellular, tissue and organ system dysfunction resulting from an accumulation of certain complex carbohydrates. Symptoms include dwarfism, mental retardation, enlargement of the liver and spleen and deafness. Most patients die before the age of 15. The cost of the drug, administered as an infusion on a weekly basis, is estimated to be approximately $300,000 per year per person. Hunter's Syndrome is a very rare condition and few CCS clients are expected.
CCS 9	X	X	Newborn Hearing Screens Expansion Existing statute requires general acute care hospitals with CCS-approved licensed perinatal services to offer hearing screening to parents of all newborns delivered at these hospitals. AB 2651 (Chapter 335, Statutes of 2006) expands the requirement to ~~an~~ **the** estimated additional 100 general acute care hospitals **that are not currently CCS-approved. Implementation will be in January 2008.**

CHILD HEALTH & DISABILITY PREVENTION PROGRAM

CHDP: NEW ASSUMPTIONS

Applicable F/Y	
C/Y	B/Y

CHDP: OLD ASSUMPTIONS

	Applicable F/Y C/Y	B/Y	
CHDP 1	X	X	**Fiscal Intermediary Expenditures** **EDS routinely pays claims for the CDHP program.**

GENETICALLY HANDICAPPED PERSONS PROGRAM

GHPP: NEW ASSUMPTIONS

	Applicable F/Y C/Y	Applicable F/Y B/Y	
GHPP 0.1		X	Reduction to Hospital Financing – DPH SNCP by 10% The SNCP payments to DPHs will be reduced beginning June 1, 2008. The Department will increase the amount of CPEs of the four State-only programs to utilize any remaining federal funds in the SNCP. For more information, see Appendix A, Issue #30.
GHPP 0.2		X	Reduction to GHPP Provider Payments by 10% Effective June 1, 2008, the Department will reduce GHPP outpatient provider payments for all provider types, and non-contract hospital payments, by 10%. For more information, see Appendix A, Issue #32.

GHPP: OLD ASSUMPTIONS

	Applicable F/Y C/Y	B/Y	
GHPP 1	X	X	Enrollment Fees

Since July 1, 1993, families receiving GHPP services have been subject to enrollment fees if they meet certain requirements pursuant to Health and Safety Code section 125165. The mandate to close cases on the 61st day for failure to submit fee payment has enhanced the program's cost effectiveness. As part of the upgrading and streamlining of services related to GHPP going online with the CMS Net System, enrollment of clients and collecting of the enrollment fee will occur on each client's anniversary date of the opening of their case.

GHPP 2	X	X	Fiscal Intermediary Expenditures

EDS routinely pays claims for the GHPP program.

GHPP: OLD ASSUMPTIONS

	Applicable F/Y C/Y	B/Y	
GHPP 3	X	X	Blood Factor Drug Rebates and Contract Savings

GF expenditures for GHPP services for clients not eligible for Medi-Cal increased moderately in the last year, and significantly in the prior three years, due to increased costs of blood factor products used for hemophilic GHPP patients, and treating an aging client population with multiple complications of their primary GHPP-eligible medical conditions. Blood factor product costs have risen due to a worldwide factor shortage, conversion to the use of recombinant factor, and a rise in patients having resistance to factor, resulting in the need to use larger amounts of factor.

The Health Trailer Bill of 2002 (AB 442, Chapter 1161, Statutes of 2002) provided GHPP with the authority to collect rebates. This authority was reaffirmed in the Health Trailer Bill of 2003 (AB 1762, Chapter 230, Statutes of 2003). In addition, GHPP received certification as a State Pharmaceutical Assistance Program (SPAP) from the Centers for Medicare and Medicaid Services (CMS).

The program ~~has~~ successfully entered into several blood factor rebate agreements with manufacturers effective retroactively to the beginning of FY 2003-04, and has collected rebates from these manufacturers for FY 2002-03, FY 2003-04 and FY 2004-05.

Effective September 1, 2005, the Special Terms and Conditions of the Medi-Cal Hospital/Uninsured Care Demonstration (MH/UCD) and SB 1100 provide for the Department to claim federal reimbursement for expenditures for GHPP State-Only services as certified public expenditures through the SNCP. **This federal reimbursement resulted in the program losing its SPAP status. However, it also enabled GHPP participation in the Medi-Cal factor rebates. The program's manual rebate collection activities were discontinued until GHPP could begin participating in the Rebate Accounting Information System (RAIS) to document GHPP rebates retroactively for factor claims paid on or after September 1, 2005.**

~~Effective for dates of service on or after September 1, 2005, the program no longer qualifies as an SPAP and is no longer eligible to collect rebates under its independent rebate contracts when Title XIX FFP is claimed. However, GHPP will participate in the Medi-Cal rebates for factor products. In order to capture the utilization data for these products and account for the federal reimbursement of any rebates collected for factor claims paid on or after September 1, 2005, modifications to the Rebate Accounting Information System (RAIS), the utilization accounting and rebate tracking system maintained and operated by the Medi-Cal FI contractor, are necessary. The Department estimates that these changes will require two years for design and implementation. There will be no~~

~~new costs for these changes, as costs will be funded through EDS System Group contractual funding.~~

~~These~~ **The RAIS system** changes **necessary to accommodate GHPP**, which were originally scheduled for completion by July ~~2002~~ **2007**, ~~have been~~ **were** delayed until 2008. Because of this delay, **in Spring 2007** GHPP ~~will manually invoice rebates to factor manufacturers pursuant to the Medi-Cal rebate contract until the RAIS systems changes are completed.~~ **reactivated its manual invoicing process and resumed recovering manufacturer factor rebates pursuant to the Medi-Cal drug rebates.**

Most GHPP clients with hemophilia receive care and obtain their anti-hemophiliac factor through Hemophilia Treatment Centers (HTCs). The HTCs have begun to participate in the federal Health Resources Services Administration (HRSA) 340B Drug Pricing Program. The 340B Program requires drug manufacturers to provide outpatient drugs to 340B covered entitites, such as the HTCs, at reduced prices. Under the 340B Program, savings to the Department are realized through lower costs at the time the Department reimburses the HTCs claims. 340B claims do not qualify for a manufacturer rebate. Therefore, GHPP is experiencing a decline in factor rebates which is expected in FY 2007-08 and 2008-09.

GHPP 4 X X Hospital Financing - Safety Net Care Pool

Effective for dates of service on or after September 1, 2005, based on SB 1100, federal funding from the SNCP can be made available for the GHPP State-Only program. The Department may claim federal reimbursement for expenditures for GHPP State-Only services as certified public expenditures. The GF savings that accrue will be available to the SNCP for deposit into the Health Care Support Fund to provide funding for safety net hospitals.

Beginning with FY 2007-08, the Department is utilizing a set level of SNCP federal funds for GHPP that can be reasonably maintained by the Stabilization funding. This will prevent fluctuations in federal funds for the program.

INFORMATION ONLY:

CALIFORNIA CHILDREN'S SERVICES

1. Contract Rebate Savings

The Health Trailer Bill of 2003 (AB 1762, Chapter 230, Statutes of 2003) provided the CCS program with the authority to collect rebates. In addition, CCS received qualification as a State Pharmaceutical Assistance Program from CMS. CCS provides approximately $130 million in services annually, of which 30% are for pharmaceuticals, medical supplies, durable medical equipment, and blood factor. Execution of rebate or service contracts with major manufacturers would result in cost savings.

The Children's Medical Services Branch entered into blood factor rebate agreements with most manufacturers whose products are utilized by GHPP State-Only clients, and has been successfully collecting rebates. In August 2005, CMS presented amended blood factor rebate agreements to those manufacturers whose products are also utilized by CCS State-Only clients, to include the CCS program retroactive to July 1, 2004. These amended agreements have not been effected to date**.** ~~; therefore, there are no savings assumed for FY 2005-06 or FY 2006-07~~.

The MH/UCD and SB 1100 provide for the Department to claim federal reimbursement for expenditures for CCS services as certified public expenditures through the SNCP. ~~When this~~ **Because** federal funding is available for CCS ~~as it currently is for dates of service on or after September 1, 2005, the program is no longer eligible to collect rebates under its independent rebate contracts. However~~, CCS ~~now~~ will participate in the Medi-Cal rebates. In order to capture utilization data and account for the federal reimbursement of any rebates collected for claims paid on or after September 1, 2005, modifications to the RAIS, the utilization accounting and rebate tracking system maintained and operated by the Medi-Cal FI contractor, are necessary. ~~The Department estimates that these changes will require two years for design and implementation.~~ There will be no new costs for these changes, as costs will be funded through EDS System Group contractual funding. ~~The RAIS changes for drug rebates~~ **The Department estimates that these changes** will begin in FY 2007-08 **and take approximately two years to implement.**

CHILD HEALTH AND DISABILITY PREVENTION

1. Human Papillomavirus Vaccine

On June 8, 2006, the FDA approved human papillomavirus (HPV) vaccine (Gardasil™), the first vaccine for cervical cancer prevention, for females ages 9 to 26 years. Annually, nearly 4,000 women in the U.S. die from cervical cancer. This vaccine has the potential to reduce cervical cancer by approximately 70%. The ACIP and the VFC Program issued a resolution on June 29, 2006, to add HPV vaccine to the VFC Program. The vaccine is given in 3 intramuscular injections over 6 months. The VFC Program will provide vaccine for females 9 through 18 years, with an emphasis on 11 to 12 year olds, and the only cost to the CHDP program ~~will be~~ **is** the administrative fee of $9 per dose administered.

GENETICALLY HANDICAPPED PERSONS PROGRAM

DISCONTINUED ASSUMPTIONS

Fully Incorporated Into Base Data/Ongoing

CALIFORNIA CHILDREN'S SERVICES

CHILD HEALTH DISABILITY PREVENTION

GENETICALLY HANDICAPPED PERSONS PROGRAM

DISCONTINUED ASSUMPTIONS

Time-Limited/No Longer Applicable

CALIFORNIA CHILDREN'S SERVICES

CHILD HEALTH DISABILITY PREVENTION

GENETICALLY HANDICAPPED PERSONS PROGRAM

DISCONTINUED ASSUMPTIONS

Withdrawn

CALIFORNIA CHILDREN'S SERVICES

CHILD HEALTH DISABILITY PREVENTION

GENETICALLY HANDICAPPED PERSONS PROGRAM